

## Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC 8576

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AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

UNCLAS DAMASCUS 4573

E.O. 11652: N/A

TAGS: ECON SY

SUBJ: INFLATION IN SYRIA

REF: DAMASCUS 3192 (NOTAL)

SUMMARY: RECENT AND SUBSTANTIAL PRICE INCREASES IN FOOD-STUFFS, FUEL, AND CONSTRUCTION MATERIALS SUGGEST THAT THE SARG SO FAR HAS BEEN UNABLE TO BRING INFLATION UNDER CONTROL. THE CURRENT INFLATION RATE MAY BE EXCEEDING 1975'S ESTIMATED 30 PERCENT, ADDING TO THE ECONOMIC AND POLITICAL PRESSURES ON THE ASAD GOVERNMENT. END SUMMARY.

1, INFLATION RAGES UNCHECKED IN SYRIA, CONTINUING TODAMPEN

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ECONOMIC DEVELOPMENT AND PERHAPS INCREASING POLITICAL

PRESSURE ON THE ASAD GOVERNMENT (REFTEL), ONE OF WHOSE PROUDEST ACCOMPLISHMENTS HAS BEEN THE QUICKENING OF THE PACE OF ECONOMIC GROWTH IN SYRIA AND THE RAISING OF THE STANDARD OF LIVING OF INDIVIDUAL SYRIANS. THE FOLLOWING RETAIL PRICE INCREASES OVER THE PAST YEAR ILLUSTRATE THE CURRENT INFLATIONARY TRENDS; IF THESE INCREASES ARE REPRESENTATIVE, AND THE TRENDS THEY SUGGEST PERSIST, THE 1976 SYRIAN INFLATION RATE IS LIKELY TO BE HIGHER THAN LAST YEAR'S EMBASSY-ESTIMATED 30 PERCENT. ALL FOLLOWING PRICES ARE GOVERNMENT-ESTABLISHED, AND OFTEN DO NOT CORRESPOND TO MAWAZI VALUE; BLACK MARKET PRICES FOR MANY ITEMS ARE FREQUENTLY MUCH HIGHER, ESPECIALLY FOR BUILDING MATERIALS. ALL PRICES ARE QUOTED IN SYRIAN POUNDS (CURRENT OFFICIAL RATE: ONE US DOLLAR EQUALS 3.90 SP.)

2. FOODSTUFFS (JULY 1, 1976 PRICE COMPARED WITH ONE YEAR AGO): SUGAR (KILO) 3.00, UP FROM 1.50 (100 PERCENT); RICE (KG) 1.45, UP FROM .85 (70 PERCENT); COFFEE (KG) 19.50, UP FROM 12.50 (60 PERCENT); TEA (KG) 12.50, UP FROM 10.00 (25 PERCENT); BREAD (KG) .55, NO CHANGE FROM LAST YEAR; SYRIAN-MADE COOKING OIL (LITER) 1.65, UP FROM 1.50 (10 PERCENT); IMPORTED COOKING OIL (GALLON); 50.00, UP FROM 35.00 (43 PERCENT). VEGETABLE AND FRUIT PRICES HAVE VARIED CONSIDERABLY ACCORDING TO THE KIND OF PRODUCE AND SEASON, BUT ON THE AVERAGE VEGETABLE PRICES ARE UP 30 PERCENT OVER A YEAR AGO AND FRUIT PRICES ABOUT 15 PERCENT. SYRIANS CAN BUY LIMITED AND RATIONED AMOUNTS OF SUGAR, RICE, AND COOKING OIL AT REDUCED PRICES WITH GOVERNMENT-ISSUED FOOD COUPONS.

3. FUEL: BUTANE, USED IN MOST HOMES FOR COOKING (12 KG. TANK) 10.00, UP FROM 6.00 (66 PERCENT); "MAZOUT" FUEL OIL WIDELY USED FOR HEATING (20 LITRE CAN) 3.50, UP FROM 2.30 (52 PERCENT); 92-OCTANE GASOLINE (LITRE) 52.5, UP FROM 37.5 (40 PERCENT).

4. TRANSPORT: BUS (IN TOWN) .15, UP FROM .10 (50 PERCENT); "SERVICE" OR GROUP TAXI (IN TOWN) .35, UP FROM .25 (40 PERCENT). SERVICE TAXI FROM DAMASCUS TO ALEPPO: 15, UP FROM 10 (50 PERCENT).

5. CONSTRUCTION MATERIALS: A JUNE 12, 1976 GOVERNMENT DECREE  
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INCREASED PRICES OF CEMENT 40 PERCENT, IRON BARS 50 PERCENT, AND WOOD 50 PERCENT. THE OFFICIALS PRICE OF CEMENT IS NOW 224 SP PER METRIC TON, BUT SHORTAGES HAVE DRIVEN THE BLACK MARKET RATE TO ABOUT DOUBLE THE OFFICIAL PRICE.

6. THESE PRICE INCREASES MUST BE SEEN AGAINST THE RELATIVELY LOW WAGES RECEIVED BY SYRIAN WORKERS AND EMPLOYEES, IN A COUNTRY WHERE THE 1975 PER CAPITA INCOME,

ACCORDING TO THE IMF, WAS ABOUT 2530 SP (IN CURRENT PRICES).  
DESPITE RECENT PAY INCREASE FOR GOVERNMENT EMPLOYEES AND  
CONSTRUCTION WORKERS, MOST SYRIANS HAVE SUFFERED A REAL LOSS  
OF WAGES AGAINST INFLATION IN THE PAST YEAR. A SAMPLING OF EVEN  
RELATIVELY WELL-PAID SYRIAN WORKERS AND EMPLOYEES SHOWS WAGE/  
SALARY LEVELS LOW ENOUGH TO BE PROFOUNDLY AFFECTED BY THE  
CURRENT INFLATION: SYRIAN ARMY MAJOR, 915 PER MONTH; SECOND  
LIEUTENANT, 585 PER MONTH; MIDDLE GRADE CIVIL SERVANT, 555  
PER MONTH; TAXI DRIVER (DAMASCUS) 500-600 PER MONTH; SKILLED  
CONSTRUCTION WORKER, 50-75 PER DAY.

7. SARG OFFICIALS ARE USUALLY RELUCTANT TO DISCUSS SYRIA'S  
RISING AND EMBARRASSING INFLATION RATE; WHEN THEY DO, THEY  
SOMETIMES ADMIT A RATE OF ROUGHLY 25-30 PERCENT. HOWEVER,  
AN INFORMED SYRIAN SOURCE RECENTLY TOLD A MISSION LOCAL  
EMPLOYEE OF A STUDY WHICH PUT THE INFLATION RATE AT BETWEEN  
38 AND 57 PERCENT, DEPENDING ON METHOD OF CALCULATION.

8. AMONG THE FACTORS CONTRIBUTING TO THIS INFLATION ARE:  
EQUALLY HIGH OR HIGHER INFLATION RATES IN NEIGHBORING  
COUNTRIES; VIRTUALLY FULL EMPLOYMENT IN SYRIA; SHORTAGES,  
ESPECIALLY IN CONSTRUCTION MATERIALS, IN A BOOMING ECONOMY  
WHICH IS ONLY NOW BEGINNING TO COOL OFF DUE TO REVENUE SHORT-  
FALLS; INCREASING DEMAND FROM THE SOME 500,000 REFUGEES FROM  
LEBANON CURRENTLY IN SYRIA; AND INCREASING COSTS OF  
IMPORTS, PARTICULARLY PETROLEUM WHICH UNTIL APRIL, 1976  
SYRIA PURCHASED FROM IRAQ AT THE CONCESSIONAL RATE OF 3.05  
DOLLARS/BBL.

9. POPULAR GRUMBLING ABOUT THE INCREASED COST OF  
LIVING IS ON THE RISE BUT TO DATE HAS NOT BECOME A  
SERIOUS PROBLEM FOR THE REGIME. ANOTHER ROUND OF  
OFFICIAL WAGE INCREASES IS PROBABLY IN THE OFFING BEFORE THE  
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END OF THE YEAR, AS WELL AS FURTHER INCREASES IN THE MONEY  
SUPPLY AND PERHAPS THE INSTITUTING OF GASOLINE RATIONING,  
ALTHOUGH THE SARG IS RELUCTANT TO TAKE THIS LAST STEP. THESE

AND SIMILAR MEASURES MAY HELP RELIEVE THE STRAIN, BUT SYRIA'S  
HIGH INFLATION RATE IS NONETHELESS EXPECTED TO ADD TO THE  
POLITICAL AND ECONOMIC PRESSURES ON THE ASAD GOVERNMENT IN THE  
SECOND HALF OF 1976.  
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